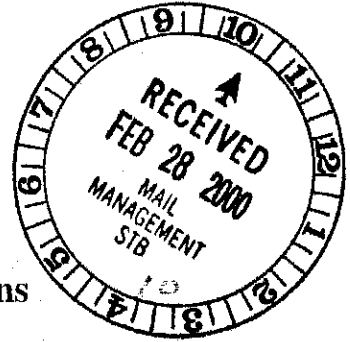


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Before The
Surface Transportation Board



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Office of the Secretary

Ex Parte No. 582
Public Views on Major Rail Consolidations

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Statement of
Paul Schanno, Commissioner
Oregon Grains Commission

The Oregon Grains Commission (OGC) herewith submits this its Statement in the above-described proceeding.

Background:

My name is Paul Schanno. I am a Commissioner on the Oregon Grains Commission. I am a farm producer from the The Dalles, Oregon. My wife and I are representative of many farm producers struggling to survive in a market that demands change. We raise barley, wheat, cherries, hay and cattle. We are all in the process of changing our long-standing farming techniques to remain profitable. For example, we are moving from conventional tilling to no till and soon to continuous cropping to enhance cash flow. Each of these efficiency gains can be easily taken by monopoly concentrations in the transportation industry and we cannot pass our increased transportation costs on to anyone else.

I have spent my whole life on the farm, raising a family of three children and now we have 4 grandchildren. I have also committed my life to be a participant and seeking solutions to problems. I have served as Past President of the Oregon Wheat Growers League and on the Board of the National Association of Wheat Growers. Locally I have served as a member of the Wasco County Board and on the local school board.

THE OREGON GRAINS COMMISSION

The Oregon Grains Commission represents the Barley, Rye & Triticale grain growers of Oregon. Oregon historically ranks in the top ten states in the production of barley. The OGC operates under Oregon Codified Title 47, Chapter 576, Section 576.175. Their charge is "to cooperate with and aid producers in establishing or improving and maintaining an efficient system of distribution and marketing of farm and food commodities." "Further they engage in negotiations with common and contract carriers and initiate or participate in the prosecution of proceedings before agencies engaged in freight rate regulation within or without this state in matters relating to the establishment of new freight rates...or to unjust, unreasonable or discriminatory rates or practices affecting the cost of transportation... in this state."

Under current federal legislation, changes in the regulatory oversight of the transportation industry and the marketing environment of agricultural commodities will have great impact on agriculture and the state's economy and profitability.

To address these challenges and improve the manner in which the state's transportation systems serve agriculture the Oregon Grains Commission is dedicated to supporting proactive legislation to ensure efficient and reasonable shipping services and rate competition.

STATEMENT OF OREGON GRAINS COMMISSION

I believe one of the contributing factors to the loss of barley acres in Oregon is the lack of available and competitive modes of transportation to the farmers in the rural areas of the state, more specifically the loss of railroad access. We are faced with determined forces to try and breach the dams on the Snake/Columbia river system, which have further disastrous anti-competitive effects on transportation competition in the Pacific Northwest. This

continued elimination of transportation alternatives in rural America is largely due to the lack of federal policy that is pro-competitive.

Railroads have merged themselves into four mega-systems and yet, still claim to be short of revenue adequacy. The railroads, as they continue to increase their monopoly stranglehold over this nation's economy, have repeatedly told the STB/ICC of huge benefits and large projected savings that will accrue from each succeeding railroad merger. At the same time, while raising billions of dollars in the stock market to facilitate over 100 rail mergers in the past 20 years, they have continued to insist they are 'revenue inadequate' from a regulatory standpoint. This alleged malady is in spite of projections by merger proponents of draconian cost savings from their consolidations. More importantly, railroad service is fraught with highly-documented problems, pricing practices have produced widely-varying profit margins, resulting in a number of customers reverting to motor carrier transportation. Rail-dependent customers and even more so captive rail customers do not have the luxury of such an alternative. Something is obviously wrong. A reasonable person would conclude that railroads have become too large and too powerful -- that is, they lack the incentive to effectively respond to their customers needs. The results, today, this nation's railroads are hauling virtually the same tonnage they were hauling in the 1940's while freight transportation in this country has grown exponentially. Where - on trucks. OGC members are reasonable. Their market experiences, supported by empirical evidence, have led them to the same conclusion.

Oregon continues to see traditional market erosion due to the market dominance of the monopoly railroads ability to take away markets and prefer those traditional markets to alternative commodity they can make more money transporting. Oregon barley growers have lost long-standing traditional markets in California, due to high freight rates by a monopoly rail carrier operating in Oregon while this same carrier is preferring areas of the country and commodities in which it has rail-to-rail competition.

Transportation is one of the most important and central elements in the production and marketing of agriculture products. Our national transportation system directly affects farm

income as costs of transportation are borne largely by farmers through prices received for their products.

Primarily, two factors impact transportation costs to farmers: the efficiency in which their products are moved and the distances the products must be transported. Because of the reliance in long distance markets, competitive freight rates and service are crucial to the success of agriculture.

SHOULD STB CONTINUE TO APPROVE RAIL MERGERS?

Oregon Grains Commission believes that the STB should make as its number one criterion in all future rail mergers seeking competitive options for all rail customers. The rail customers, especially captive rail customers, need a federal regulatory agency that is pro-competition as this country moves to the inevitable two rail system.

When do we, the rail customers need this change in agency approach? Right now!

S/ _____

Paul Schanno, Commissioner

Oregon Grains Commission

The Dalles, Oregon

Phone: 541-298-1931

Tammy Dennee, Administrator

The Oregon Grains Commission

P. O. Box 1086

Pendleton, OR 97801

Phone: 541-276-4609